

Vietnam Insurance Sector: Untapped Potential

In 2000, Insurance sector was valued to be \$177.12 million. Within the next 7 years, the total market size of insurance sector in Vietnam was estimated to be \$1141.98 million in 2007; a CAGR growth of 26.23% and an average growth rate of 33.25% during this tenure. Going forward, we are expecting a CAGR growth of around 12.30% in the Vietnamese Insurance Sector between 2007 and 2011. The Knowledge Centre predicts that during this time period, the market from \$1141.98 million will grow at an average rate of 16.25% and reach \$2039.95 million by the end of 2011.

New Delhi, Delhi, IND, 2008-05-09 16:52:38 (IndiaPRwire.com)In recent years, there has been a significant economic growth in Vietnam of approximately 7.5% per annum. This growth is attributable to the recently adopted strategic and long-term initiatives by the Vietnamese government. These steps have streamlined and improved the economic infrastructure of the country by offering more incentives for foreign investors and implementing a 10 year socio-economic development plan etc. The country has gradually migrated from a planned economy to a market based economy by shifting its focus from agricultural production to industries and services. With all these developments, Vietnam has become one of the fastest-growing economies in the world, averaging around 8% annual gross domestic product (GDP) growth from 1990 to 1997 and 6.5% from 1998-2003. From 2004 to 2007, GDP grew over 8% annually. Vietnam is now able to compete and get counted with regional as well as global economic countries. There has been a significant increase in inflows of foreign direct and private investment.

In the last few years, Vietnamese insurance sector has seen a noticeable growth. Today, despite being very young, Vietnamese life insurance market has already overtaken Indonesia and Philippines in terms of market penetration. This is because Insurance premium forms a larger percentage of the country's GDP. With opening up of its insurance market since 1996, more and more foreign insurers are getting access to the highly lucrative insurance market in Vietnam. Foreign companies can now easily operate in the country and are forming joint ventures with local companies in order to enter Vietnam and diversify their clientele. In addition, a range of foreign life insurers, including some large Asian-based life insurers (principally from Singapore, Taiwan, China and South Korea), have set up representative offices in Vietnam and are working toward gaining operating licenses. Investors from regions like Asia, US and Europe are also actively lobbying the Vietnamese government for access to the local insurance market. Upon the country's accession to the World Trade Organization, foreign insurers expect to be allowed to establish more wholly owned units and to benefit from progressively declining limitations on their scope of business.

Market Performance & Forecast

Between 2000 and 2007, Vietnamese life insurance sector increased from \$51.12 million to \$586.24 million, CAGR growth of 35.65% during this period. We forecast that the life insurance market in Vietnam would grow at a CAGR of 10.71% and an annual average growth rate of 13.21% between 2007 and 2011. From \$596.24 million in 2007, the market will increase by approximately \$388 million and reach \$975.21 million by the end of 2011.

Non-life premiums in Vietnam were estimated to be \$555.74 million in 2007, a growth of \$429.74 million from the market size of \$126.00 million in year 2000. Between 2007 and 2011, we project a CAGR of 13.89% .i.e. from \$555.74 million in 2007; the non-life insurance sector in Vietnam will reach \$1064.75 million.

According to the Vietnam Insurance Association, there are 120,000 insurance agents and 10,000 employees in the country. There are currently 16 non-life insurers, eight life insurers and seven insurance brokers. Vietnam's life insurers offer about 100 products and generated premium income. Fifteen foreign insurers have established operations and 30 others have representative offices. Foreign-owned insurers dominate the life insurance market. Domestic insurers are more dominant in the non-life insurance market and foreign insurers hold only a 7 percent market share. Some of the top insurance companies in Vietnam are ACE Life Insurance Co., Ltd., AIG General Insurance (Vietnam) Company Limited, Bao Viet Holdings, Bao Minh, Groupama/GAN, Nipponkoa Insurance Co., Ltd., Prudential Vietnam Assurance, Petrolimex Joint Stock Insurance Company (PJICO), Petrovietnam Insurance Company (PVIC), and QBE Insurance (Vietnam) Company Limited etc.

Major Driving Factors

- => Economic growth above 8 percent
- => Entry to the World Trade Organization (WTO)
- => Opening up of insurance market for foreign investments
- => US-Vietnam bilateral trade agreement in 2001
- => Emerging middle class & increasing literacy rate
- => Increasing foreign direct investments
- => And many more…

Major Issues & Trends

- => Foreign investors targeting Vietnamese Insurance Sector
- => Foreign companies trying to capture Vietnamese Market
- => Insurance still in a nascent stage due to traditional mindset
- => Lack of infrastructure and support
- => Setting up of a national export-credit insurance organisation
- => Demand for risk prevention increasing
- => Staffing concerns in insurance companies
- => Establishment of the Laos-Vietnam Insurance Joint Venture (LVI)
- => Recent developments at Bao Viet
- => And many more…

Topics covered in the report

- => Economic performance of Vietnam
- => Recent economic policies of the Communist Party
- => Macroeconomic trends and drivers
- => Focus on increasing Foreign Direct Investments and opening up of insurance market
- => Past and present scenario of Vietnamese Insurance Market & Future Outlook
- => Past and present scenario of Vietnamese Life Insurance Market & Future Outlook
- => Past and present scenario of Vietnamese Non-Life Insurance Market & Future Outlook
- => Driving factors for Vietnamese Insurance Market
- => Entry in WTO
- => Setting up of a national export-credit insurance organisation
- => Establishment of the Laos-Vietnam Insurance Joint Venture (LVI)
- => Government strategic initiatives to strengthen Insurance Market
- => Competitive Landscape & Market Share of foreign and domestic players
- => Recent developments in Bao Viet
- => Company profiles of top players
- => And many more…

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About 'The Knowledge Centre'

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